

Insights

PROPOSED CLIMATE-RELATED DISCLOSURES FOR STANDARD LISTED COMPANIES

Jun 23, 2021

SUMMARY

As part of the UK government's roadmap towards mandatory climate-related disclosures across the entire UK economy by 2025, the FCA is proposing to extend the application of its new climate-related disclosure requirements to standard listed issuers. The FCA is also seeking views on ESG integration in UK capital markets.

These changes are expected to be welcomed by the market as investors/stakeholders and institutional investor bodies place a greater emphasis on climate-related disclosures in annual financial reports.

Background

The FCA recently introduced "comply or explain" disclosure requirements for annual financial reports of UK and overseas commercial companies with a premium listing consistent with the Financial Stability Board's Task Force on the Climate-related Financial Disclosures (TCFD) framework, the leading framework for climate-related financial disclosures, for financial years beginning on or after 1 January 2021.

Separately the UK government has consulted on climate-related financial disclosures for large UK corporates including AIM quoted companies with more than 500 employees and UK companies and LLPs with more than 500 employees and a turnover of more than £500m. This consultation closed on 5 May with a view to the amending legislation being introduced in 2021 and applying to financial years beginning on or after 6 April 2022.

Proposals

Under the proposals, standard listed issuers, wherever incorporated (excluding standard listed investment entities and shell companies) would be required to include, in their annual financial report, for financial years beginning on or after 1 January 2022, a statement setting out:

- whether they have made disclosures consistent with the TCFD's recommendations and recommended disclosures in their annual financial report;
- where they have not made disclosures consistent with some or all of the TCFD's recommendations and/or recommended disclosures, an explanation of why, and a description of any steps they are taking or plan to take to be able to make consistent disclosures in the future and the timeframe for compliance;
- where they have included some, or all, of their disclosures against the TCFD's recommendations and/or recommended disclosures in a document other than their annual financial report, an explanation of why; and
- where in their annual financial report (or other document) the disclosures can be found.

These changes mirror the new requirements for premium listed issuers and would extend the scope of the FCA disclosure requirements to a further 148 companies (half of which are in the basic resources, financial services and energy sectors). These are sectors in which there is considerable investor interest in companies' climate strategies, including their transition plans.

The FCA is also seeking view on whether these rules should be extended to issuers of standard listed GDRs (under LR 18) which would catch a further 170 issuers.

Alongside these proposals, the FCA is:

- seeking views on other topical ESG issues in UK capital markets, including on green and sustainable debt markets and the increasingly prominent role of ESG data and rating providers. For example, should there be further guidance for firms on their use of ESG ratings and the introduction of a voluntary Best Practice Code; and
- consulting on TCFD-aligned disclosure requirements for asset managers, life insurers and FCA regulated pension providers. See our [blog](#) for further details.

[FCA Consultation Paper](#) - the consultation will close on 10 September 2021 with finalised rules being published by the end of 2021. The FCA will issue a separate feedback statement on the ESG issues.

[HM Treasury Roadmap](#)

[Previous blog on climate-related financial disclosures for large UK corporates](#)

See also our background note on [TCFD and its UK remit: an aide memoire](#).

RELATED CAPABILITIES

- M&A & Corporate Finance
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